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ABSTRACT

This paper examines the ways in which private- and public-sector location affects organizational structure and functions, and the implications for school reform. It identifies the differences that are often overlooked when policymakers utilize market-based organizational reform models to address public school problems. Two fundamental questions are asked: How useful are market-based models in addressing public-sector organizational problems?; and What organizational characteristics are central to the successful implementation of market-based organizational reform efforts? The paper first discusses two theoretical perspectives--organizational ecology and resource dependency--to explore the specific organizational features likely to result from market and public-sector contexts. The next part examines two current market-based educational reform models--school choice and school-based management. The analysis suggests that market-based models are potentially useful for addressing public-sector organizational problems. However, the models should be applied with care, recognizing the underlying conditions present in the private sector that may or may not be present in public schools. The public educational system is constrained by: (1) the lack of an educational "market"; (2) the weak link between school performance and funding; (3) operating procedures and organization that are structured to manage existing environmental resource dependencies; (4) a locus of control that stresses strict control over inputs rather than outcomes; and (5) diverse organizational goals. Two tables are included. (LMI)

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The Applicability of Market-Based Solutions to Public Sector Problems

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The Applicability of Market-Based Solutions to Public Sector Problems

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Educational administrators and policymakers often suffer from a kind of research myopia, ignoring research evidence collected in other sectors that may provide insights and information on potentially useful approaches in education. The experience of organizations operating in the private sector can provide valuable information for the development of high performing educational organizations. Recently, educational researchers have applied research findings from the private sector to models of public school management, governance, and compensation.[1]

While these efforts are laudatory and should be encouraged, a variety of potentially important differences exist between public and private sector organizations which could affect the applicability and usefulness of private sector-based organizational design and governance models to public schools. Some scholars have argued that schools are characterized by unique cultures which make them qualitatively different from other organizations. In this paper, I go beyond cultural arguments to examine ways in which sector location affects organizational structure and functioning. Administrators and policymakers need to be aware of these differences as they examine and attempt to apply useful management and governance information from organizations operating in the private sector.

In essence, I argue here that the environmental context of the organization is an important factor to consider when designing and applying policy reforms. The argument that attention to context is crucial to successful implementation has been made numerous times before (see, e.g., McLaughlin, 1987). Organizational demands, resources, and culture, and employee attitudes, aptitudes, and experiences are all important factors to attend to when developing and implementing organizational reforms. In this paper, I focus on a particular context issue that is not often addressed in the implementation literature: the effect of operating in the public versus the private sector on organizational structure and functioning. Specifically, the paper attempts to unpack important differences which are often overlooked when policymakers utilize market-based organizational reform models to address public school problems. In doing so, the paper addresses two fundamental questions. First, how useful are market-based models in addressing public sector organizational problems? And second, what specific organizational characteristics are central to the successful implementation of market-based organizational reform efforts?

In attempting to better understand the obstacles and opportunities for applying market-based organizational reform models to public school problems, the paper proceeds as follows: first, two different theoretical explanations of the relationships between organizations and environments are identified and discussed. For each theory, specific

organizational features likely to result from market and democratic (public sector) contexts are explored. These concepts are examined using examples from two current market-based educational reform models: choice and site-based management.

Organizations and Environments

There are a variety of theoretical explanations of the relationship between organizations and their environments. In this section, I review two theories which take different approaches to the interactions between organizations and their environments: organizational ecology and resource dependency theories. These theories highlight some important ways in which internal organizational processes may be affected by external environmental forces. The theories are described, with specific implications for the structure and functioning of organizations operating in market and democratic environments.[2]

Organizational ecology theory borrows metaphors from biology and examines the growth and decline of entire populations of organizations over time. Selection, or the entry of new organizational forms to replace older forms, is the principal explanation for organizational innovation. However, the theory does not address how new and different organizational forms emerge (Carroll, 1988; Hannan & Freeman, 1977; 1988). These two features--a heavy reliance on selection rather than adaptation, and an inattention to the specific processes involved in innovation--make organizational ecology unique among theories describing the organization-environment nexus.[3]

The primary influence of the environment in organizational ecology is its impact on an organization's viability. In other words, organizational survival is dependent on the effects of competition among similar organizations (measured in density, or number of similar organizations present), and the institutionalization of specific organizational forms (Carroll, 1988).[4] Organizational ecologists have tested their models on a variety of market-based organizations, including the wine industry (Delacroix & Solt, 1988), newspapers (Carroll & Delacroix, 1982), breweries, banks, and life insurance companies (Hannan & Carroll, 1992). They have also examined populations of non-profit organizations, such as labor unions (Hannan & Carroll, 1992) and voluntary service organizations (Tucker et al., 1988), among others.

The heavy reliance on selection as the principal explanation for organizational innovation has important parallels in microeconomic theory. However, organizational ecology has adopted a broader range of explanations for rates of organizational founding and dissolution than microeconomic theory. In addition to the profit motive, organizational ecologists accept institutional legitimacy as an important explanation for changes in population density over time (Carroll, 1988). While recognizing the broader applicability of organizational ecology theory, in this paper, I focus on two aspects of the theory which are complementary to microeconomic analyses of markets. Table 1 summarizes some differences between

market-based and democratic institutions which are suggested by organizational ecology and resource dependency theories.

Insert Table 1 About Here

First, both organizational ecology and microeconomic theories suggest that significant technological innovation in organizations occurs primarily through a process of selection driven by market competition. Schumpeter (1934, 1958) termed this process the "creative destruction" of markets: breakthrough technologies are introduced through the creation of new organizations which replace older forms. To illustrate the importance of the creative destruction of markets to enhance productivity, compare the technology used in a relatively new organizational form, the personal computer industry, with the technology used in schools. The computer industry makes heavy use of computer technology, often maintaining state-of-the-art computing systems for management and production. In contrast, despite the enormous potential for improvements in productivity in schools through the introduction of new technologies, the technology of education has changed very little in this century (see e.g., Cuban, 1993). Even where new types of capital equipment have been introduced, they are in limited ways. For example, most schools that have computers in the classroom use them as a separate course of study (i.e., to teach students how to use computers) rather than across the curriculum as a tool for

the accessing of knowledge. This example illustrates one very important way that schools differ from firms operating in competitive markets: schools are very slow to advance technologically due to comparatively low rates of "creative destruction."

A second, related role of the selection mechanism is to replace less efficient organizational forms with more efficient forms. Organizations experiencing long-term stagnation and decline lack profitability and eventually must renew themselves, or be allowed to die through merger or dissolution. A large literature on organizational decline provides some clues about the effect of decline on organizational functioning (see e.g., Guy, 1989; Cameron, Kim & Whetten, 1987). Most of this literature focuses on fiscal decline, rather than on organizational stagnation. However, the characteristics found to describe organizations in decline also are reminiscent of the characteristics of poorly functioning (but financially stable) schools. Guy (1989) describes seven subjective benchmarks of a declining organization, which may have a familiar ring to educators:

- "loss of prestige or reputation"
- "pessimistic tinge to corporate culture"
- "negativistic climate among staff"
- "perception that the firm is in decline"
- "service level inadequacy"
- "unclear priorities"
- "loss of leadership, direction, or goals"

(Guy, 1989, p. 3)

Similarly, in a study of four-year colleges and universities, Cameron, Kim and Whetten (1987) find that decline is associated with "scapegoating of leaders, resistance to change, low morale, fragmented pluralism, withdrawal of leader credibility, conflict, and curtailment of innovation" (p. 217).

In competitive markets, there is an implicit assumption that stagnation, caused by lack of adaptation to changing environmental conditions, eventually is accompanied by declines in profitability and reductions in organizational resources. In contrast, in public schools, there are no obvious links between organizational performance and the availability of resources.[5] Resources decisions are decoupled from performance, and depend more on economic conditions than levels of learning. This situation has parallels in the private sector: "[o]ne of the traditional arguments against monopolistic markets is that they allow firms to become stagnant without experiencing serious repercussions. Similar observations have been made about the consequences of a lack of competition in the public sector" (Roessner, 1979 in Whetten, 1988, p. 153; see also Roessner, 1988).

The potential for high rates of stagnation in the public sector has important implications for the application of reform models. Most reform models are adapted from empirical evidence collected in high performing organizations. However, the models themselves may be dependent on organizational conditions related to high performance (e.g., good communication networks, a climate

of mutual trust, respect, and confidence). If poor performing organizations adopt these models, but are characterized by a lack of communication, distrust, and demoralized employees, the model - no matter how useful - is unlikely to succeed in improving organizational performance. Applying a reform model to a stagnating, poor performing organization without attention to these prerequisite conditions might be compared to efforts to rearrange the deck chairs on the Titanic as it was going down. It may make those on board feel they are doing something, but it isn't going to keep the ship from going under (Guy, 1989).

Thus, organizational ecology and microeconomic theories suggest two organizational factors that should be attended to in the application of reform models to public schools. First, because there are only very weak selection mechanisms in the public sector, public schools are likely to suffer from slow technological advances. Therefore, private sector-based reform models which rely on selection for creating high performing, innovative organizations are unlikely to be successful in improving performance in public schools. Second, the extremely loose connection between organizational performance and resource levels means that public schools (like monopolies in the private sector) have a high potential for long-term stagnation. Reform models which do not address the effects of long-term stagnation are unlikely to be successful at improving performance.

While organizational ecology theory focused principally on the important role of selection, Resource Dependency theory emphasizes organizational adaptation. The organization-environment relationship is characterized as an interdependency in which organizations respond to and attempt to control strategic elements of their environments (Pfeffer & Salancik, 1978). Organizations identify key elements of the environment to focus on, to respond to, and to manipulate to their own advantage. By developing and focusing information collection efforts on specific aspects of the environment, organizations attend to some features of the environment, and ignore or compartmentalize others.

The primary mechanism for determining which features of the environment are attended to is the organization's struggle for survival over time. Interactions with the environment tend to focus on those aspects of the environment (e.g., organizations, regulations, or laws) which control the allocation and use of a significant share of resources important to organizational longevity or survival. Information collection efforts enable organizations to act strategically in their environment to develop favorable conditions for survival, and to change internal goals, structures or processes in ways which will be seen as desirable to important environmental actors. Organizations use buffering strategies, diversify, and develop networks of supporting organizations (e.g., professional associations, joint ventures) to protect themselves from critical environmental

dependencies. In addition, they respond to environmental influences in ways that will help to ensure organizational maintenance and survival (Pfeffer & Salancik, 1978).

Resource dependency theory suggests three important implications for the applicability of market-based management reforms to public schools. These involve information retrieval and processing mechanisms which focus organizational attention, and control over strategic decisions and processes.

Information Retrieval and Processing Mechanisms

Resource dependency theory has been applied to both private and public sector organizations (Pfeffer & Salancik, 1978). In business, a major share of resources are determined by revenues from product sales. Thus, one important environmental force for survival is market share, determined by consumer tastes and preferences. As a result, businesses tend to focus information collection and response efforts on understanding, manipulating, and responding to consumer tastes and preferences.

In contrast, in public schools, survival depends more on understanding, manipulating, and responding to policymaker and taxpayer concerns. Until recently, policymakers have paid little attention to educational outcomes, instead focusing on process as the principle mechanism for measuring accountability. Thus, schools have relied on the adoption of management models which are perceived by policymakers and taxpayers as effective approaches to educating children (for an explanation of these institutional arguments, see Powell & DiMaggio, 1991). Because

schools have not recently been dependent on students and families for resources, they have paid little attention to understanding, responding to, or affecting these "customer" preferences. Therefore, public schools, unlike private businesses, do not routinely identify, adapt to, or affect customer tastes and preferences. Consider the standard operating procedures in most school districts which involve the collection, evaluation, and response to information available from the environment. Significant opportunities are available to obtain and respond to information from the state and from special interest groups, but organizations have no routines for listening to or responding to student interests and concerns. Students and parents do not represent a strategic environmental dependency for schools. Instead, school and district administrators routinely receive, process, and respond to information and requests from the state department of public instruction and active community (taxpayer) interest groups on whom schools depend for public/taxpayer support.

Contrast this with the information retrieval and processing approaches of businesses, which focus principally on understanding customer tastes, and attempting to create a closer match between product specifications and consumer preferences through marketing efforts. There are few routine mechanisms in the educational bureaucracy which collect and utilize information about students in this way. In fact, in many districts, schools make no effort to even contact students who have dropped out.[6]

Control Over Strategic Decisions and Processes

A second important departure between private businesses and public schools is the level of dependence on external agents for determining budget allocations and levels of support; organizational location, inputs, and participant selection; and organizational goals.

First, schools and businesses differ in the types and degrees of external regulatory and fiscal control. While environmental pressures on corporate decisions are increasing (see, e.g., Bozeman, 1987), businesses still have considerably more control over the flow and allocation of resources than do public schools. Well known turnaround stories in the private sector couple management reform with large infusions of funds (e.g., Chrysler), and major changes in personnel, procedures, and working conditions (Krafcik, 1986; New United Motor Manufacturing, Inc., 1991; Osterman, 1992). For example, in 1985, General Motors and Toyota cooperated in a joint venture called the New United Motor Manufacturing, Inc. The venture involved reopening a General Motors plant that had been closed in 1982 due to low productivity, high absenteeism, poor product quality and high levels of conflict between labor and management. The plant had absenteeism rates of 20 percent, a backlog of over 1000 grievances, and the lowest productivity rating of any GM plant.

GM and Toyota completely redesigned the production process, and using what was essentially the same workforce, increased

productivity by 50 percent over the old plant, reduced unexcused absences to .5 percent, and maintained high levels of quality. This was accomplished through an intensive training program, job enlargement, and the use of work teams. All team and group leaders (one fifth of the entire workforce) were sent to Japan for three weeks of classroom and on-the-job training (Krafcik, 1986).

Businesses, such as NUMMI, are able to undertake a radical restructuring like this because their strategic dependencies focus on their ability to provide a high quality product at a reasonable cost. In contrast, the environmental agents on which schools are dependent for survival tend to focus on process rather than product. The result is that the federal and state governments and local taxpayer base tends to maintain strict requirements on allowable expenditures and teaching methods and content. Schools have little flexibility over the use of resources, and little control over their availability. A redesign effort like the one described above would not be possible in most schools, because schools lack the flexibility to redesign work, the resources to invest heavily in training and capital equipment, and the ability to create work environments which require significantly different types of training, experience, and configurations of workers. State and federal regulations (e.g., credentialing, line item budgets, Carnegie Units, teacher-student ratios, curriculum frameworks, categorical programs), entrance requirements for post-secondary institutions,

and union concerns would prevent this type of radical restructuring.

Schools and businesses also differ in their ability to control organizational location, inputs, and participant selection. Organizational location can be important to businesses for a variety of reasons. Retail stores relying on a steady stream of customers coming to the organizational location must select their site carefully, considering factors such as customer convenience. Businesses must also be concerned with the safety of their employees, and protection against vandalism and theft of property. Businesses threatened by an unsafe or inaccessible location which is affecting the bottom line have three choices: continue to lose money, move to a safer, more convenient location, or close the business. If the business itself is location-dependent, the business plan may be changed to serve a different market segment.

Except in rare circumstance, relocation is not an option for schools. Communities expect to be served by neighborhood schools. Those facing high costs due to theft and vandalism, high staff turnover and high dropout or low attendance rates due to unsafe neighborhood conditions must adopt plans to change the community (e.g., efforts to create drug free zones around schools, deals with gangs to make the school and its environs neutral turf, collaboration with community-based organizations, businesses, and social service providers) - a difficult and costly endeavor; fortress the school by building bigger fences;

board up windows; pay higher salaries to compensate for the lack of safety; and hire police and security guards, rather than change the location of the school.

A second characteristic which differs between schools and private organizations is the nature of inputs. In manufacturing, businesses pay suppliers for quality raw materials. When raw materials are not up to standards, they may hire alternative suppliers, or supply the raw materials themselves by vertically integrating industries (Scott, 1992). While there may be difficulties in obtaining inputs of a consistent quality and quantity, there are numerous alternatives available for obtaining an appropriate mix of inputs.

In contrast, school have little control over the "quality" of inputs, and the inputs themselves have an important role in the success of the production process (i.e., students determine their own level of commitment to learning: time spent on homework, attention paid in class, attendance, etc.) (Levin, 1994). Schools do have some ability to affect the commitment of students, but the ultimate control is in the students' hands.

In addition, other inputs, such as curriculum, textbooks, equipment, and staffing are controlled to varying degrees by external agents. Curriculum is determined increasingly through mandated state frameworks, and through textbook selection process. How many teachers are hired or laid off, who is hired or laid off, and the mix of backgrounds and experiences is

determined by state regulation and collective bargaining agreements.

Similarly, in the private sector, employees are selected from a variety of potential backgrounds, and are trained for their particular position according to the needs determined by the business itself. In schools, training (and retraining) are determined exogenously by academics and policymakers setting credentialing requirements. These policies are revised infrequently, and may or may not reflect the needs of individual school districts.

Third, schools and businesses differ in goal alignment and specificity. Any organization serving multiple interests is likely to face constraints on satisfying interest groups since there will inevitably be times when the interests of one constituent group conflict with those of another. As organizations grow larger, and attract more attention, they are more likely to be in this situation (Pfeffer & Salancik, 1978).

Schools are particularly vulnerable to a lack of goal alignment among constituent groups. Schools receive significant levels of financial support from federal, state, and local governments. Taken as a whole, the public school system is a huge enterprise that touches virtually every American. The result is intense conflicting pressure from an increasingly diverse populous. In order to negotiate an environment full of conflicting demands, educational policies often reflect broad and ambiguous goals. This goal ambiguity is necessary in order to

win coalitions of support among diverse constituent interests (Baier, March & Saetren, 1988).

Application to Choice and Site-Based Management

The analysis thus far suggests that organizations operating in competitive markets are characterized by high levels of technological innovation and low levels of stagnation and decline compared to public schools. Strategic environmental dependencies, and therefore, the focus of information retrieval and processing mechanisms, tend to be on the customer. Since the customer's primary interest is in high quality and low prices, and not on the specific processes needed to achieve these goals, control over financial resources, location, inputs, and participant selection tend to be determined by the organization itself, rather than some external constituency.[7]

In addition, businesses are able to adapt to changing market conditions because they have well developed mechanisms for retrieving and processing information about changing consumer tastes and preferences. They use this information to redirect financial resources, and modify organizational location, inputs, and worker skills in order to better address consumer preferences and to remain competitive. Organizational goals are relatively clear (e.g., maximize long-run profits), so it is a relatively straightforward task of identifying how best to focus organizational resources for optimal performance.

These characteristics represent a set of conditions present in many market-based organizations. But which of these

assumptions are critical to the success of educational reform models drawn from the private sector? This section attempts to identify critical assumptions underlying two educational reform models: private school choice, or vouchers, and site-based management.

A primary goal of private school choice is to create artificially selection mechanisms and competitive processes for adaptation. Both selection and adaptation mechanisms are crucial to the success of this market model. Ease of entry and exit from the market are expected to result in the development of high levels of technological innovation over time, and the replacement of less efficient with more efficient organizational forms.

The usefulness of the choice model to reform public schools rests on two critical, but faulty assumptions. First, the market mechanism relies on open markets. It seems highly unlikely that reformers will be successful in creating the kind of ease of entry and exit to markets necessary to make significant advances in technological innovation and organizational performance through selection. Thus far, no choice model has created a market-like environment sufficient to attract significant numbers of new schools into the market. If voucher models result in a reshuffling of students among existing schools, but no significant new entry and exit from the "market," the "creative destruction" process will not take effect.

In addition, as students transfer from poor performing to high performing schools, the high performing schools will receive

additional resources while poor performing schools see further declines. If these declining organizations do not close due to public pressures for neighborhood schools or collective bargaining agreements, then the students left at these schools will be worse off, and there will be no net gain in efficiency in the market as a whole. Some parents and students may feel better, but it will not effect a major change in the technology or efficiency of schools.

A second critical assumption of the choice model is that the creation of competition will induce improvements in performance. In the private sector, high performing organizations have structures and standard operating procedures in place to monitor market conditions and adjust to changes in demand. Marketing departments are designed to track changes in market shares, to survey consumers regarding preferences, and to adapt production and advertising to link consumer preferences with product characteristics. In addition to having market mechanisms in place to monitor market conditions, private businesses also have control over the use of financial resources, organizational location, inputs, and employee characteristics. While there are limits (e.g., credentialing requirements, union agreements, environmental impact statements, input availability and cost), compared to schools, businesses enjoy relatively high levels of control over these resources. Poor performing businesses may lack these characteristics, but in the market, they will learn to adapt or will be replaced by more efficient competitors.

In public schools, the focus of information retrieval and processing has been on policymaker preferences. Introduction of choice models shifts strategic environmental dependencies to students and parents - more like a customer-focused model. However, unlike businesses, current structures and procedures in schools focus on collecting and responding to information from policymakers and not students. In addition to having demoralized staff, poor communication, lack of leadership, and difficulties with innovation, poor performing schools under a choice model will lose students and revenues. It seems unlikely under these conditions that they will have the wherewithal to adapt to the new environment and revise structures and procedures to become more competitive for students. Furthermore, public schools lack the strategic control over financial resources, location, inputs, and participant selection which are critical conditions in the private sector model. Choice plans to nothing to provide schools with control over these strategic elements. And finally, the market mechanism relies on focused organizational efforts with clear goals. But under a choice model schools will still be funded by a variety of sources, and will still need to manage critical dependencies among federal, state, and local interests, as well as students and parents.

Site-Based Management. The site-based management model was developed from research on effective private sector organizations which replaced traditional bureaucratic structures with teams of workers (sometimes called quality circles) who could make widgets

and provide feedback on ways to improve production and management processes. This model suggests that providing workers with input into management decisions and enlarging their scope of responsibility will result in a more efficient use of resources and will produce high quality outputs. The model assumes a fairly high level of trust and communication among levels of management, and a motivated workforce. It also assumes a high level of internal control over financial resources, inputs, and participant selection, and a high degree of agreement on organizational goals. These elements are necessary if workers are to have a meaningful say in determining resource use within the organization. In addition, decentralizing responsibility to numerous unconnected work groups requires a high level of agreement on organizational goals so each work group can contribute to meeting these goals.

The site-based management model relies on fewer market-like assumptions than does school choice. In addition, some site-based management models have reduced environmental dependencies and have provided schools with greater autonomy and flexibility in the use of resources. However, site-based management has no effect on selection, and therefore is unlikely to result in significant technological advances for schools. In many instances, team-based management is implemented in the private sector with a significant infusion of new capital equipment and a modernization of production processes. It is difficult to determine the extent to which team management success stories

result from the combination of new technologies with new management approaches. For the sake of argument, I will assume here that team management can improve productivity even absent an infusion of new technology.

The site-based management model involves the creation of teams of teachers and devolution of some level of responsibility over resource allocation to the site level. A high degree of employee involvement is needed for successful implementation of site-based management. Therefore, poor performing schools may need to work to improve basic conditions prior to implementing a site-based management model. These include addressing the characteristics of an organization in decline, such as improving communication across levels of the organization, developing trust, and improving morale.

The site-based management model does not shift environmental dependencies. Therefore, schools would continue to respond primarily to policymakers and taxpayers, rather than students and parents. The advantage to this is that the model itself would be consistent with current the standard operating procedures in schools. In fact, to the extent that site-based management gets teachers involved in managing resource dependencies, this model could be viewed as strengthening policymaker power. It has been difficult under hierarchical management to get teachers to change classroom practice to reflect policymaker preferences. But when teachers are key players in managing resource dependencies, they

may be more likely to change classroom practice to reflect the policies of important environmental actors.

To the credit of reformers, many efforts to implement site-based management are accompanied by a slight increase in site discretion over the use of resources. The model shown in Table 2 suggests that this is a critical element for the successful implementation of site-based management programs. However, in most instances, discretion remains minimal. Schools are able to target resources, but within strict categorical guidelines. This discretion is critical, and should be increased if reformers are seeking meaningful change.

Two weaknesses in the site-based management model are the lack of resources for training the workforce, and the ambiguity of educational goals. Private businesses implementing team-based management provide significant amounts of training for workers in the transition process and beyond (see, e.g., Krafcik, 1986). If site-based management models are to be successful, significant additional investment in teacher and administrator training is needed. This training should be specific to the needs of the individual organization.

The site-based management model brings a variety of diverse actors into the decision-making process, in small, discrete teams. Without clear organizational goals, this structure is likely to pull the organization in several different directions, which may not be successful in improving organizational outcomes.

The numerous diverse constituent groups of schools make such agreement on goals difficult and unlikely.

Conclusions and Implications

By examining carefully the implications of organizational ecology and resource dependency theories, this paper has explored some important selection and adaptation mechanisms present in the private sector which may affect the application of private sector reforms to public schools. The analysis here suggests that market-based models are potentially useful for addressing public sector organizational problems. However, the models need to be applied with care, recognizing the underlying conditions present in the private sector that may or may not be present in public schools.

The lack of an educational "market" means that there is no mechanism for replacing extremely poor performing schools with newer, more innovative organizational forms. Short of developing full-blown markets for schools, policymakers may want to "sunset" existing schools and provide opportunities for the development of entirely new organizational forms, which use technologies and personnel in new and innovative ways.

Furthermore, the weak link between school performance and funding means that poor performing schools maintain their resource base over time, and are allowed stagnate. The literature on declining and stagnating organizations suggests that these organizations are crippled by poor morale, distrust, lack of communication, finger pointing, and a "circle the wagons"

mentality. Prior to implementing any reform, poor performing schools need to address and improve these underlying conditions which are likely to impede improvement efforts.

Furthermore, the standard operating procedures and the organization of schools are currently structured to manage existing environmental resource dependencies. Reforms which require a major shift in organizational focus need to acknowledge the existing school structure as a rational mechanism, and provide schools with incentives and pathways to focus information retrieval and adaptation mechanisms on other areas.

Finally, two major differences between private and public sector organizations are the locus of control over resources, and the clarity of organizational goals. Requirements for accountability in the public sector have resulted in a system which requires strict control over inputs. The inability to shift resources to respond to changes in environmental conditions is a major constraint on public sector organizations, and is likely to weaken any private sector-based reform model. Movements in the public sector to focus on outcomes hold promise, if they are accompanied by increased flexibility in the use of inputs. In education, Charter schools is one such example.

A final, perhaps irreconcilable difference between private businesses and public schools is goal clarity. Public schools have a responsibility to every American to negotiate diverse interests and meet multiple needs. Private sector reforms that rely heavily on the ability of organizations to focus narrowly

and specifically are unlikely to be as successful in the public sector. That said, it is also important to recognize that educational policymakers, administrators, and teachers can do a much better job than they have in the past of identifying critical goals, and focusing more narrowly on these areas.

In conclusion, a more sophisticated understanding of the structural differences between market-based and public sector organizations can lead to improved educational policies, as administrators and policymakers utilize important lessons from business and industry, but adapt them to accommodate differences in public sector organizations. The study has implications for the development of future organizational theory as it applies to public versus private sector organizations, as well as to the content of federal and state reform efforts in education.

TABLE 1
Variations in Organizational Features
Related to the Organizational Environment

	Organizational Environment	
Mechanism & Implications	Market	Democratic
Org Ecology/Selection		
Technological Innovation	High	Low
Stagnation/Decline	Low	High
Resource Dependency/Adaptation		
Focus of Information Retrieval and Processing	Customer/ Product	Policy Makers/ Process
Strategic Control Over:		
Regulatory & Fiscal	Endogenous/Mix	Exogenous
Location	Endogenous/Mix	Exogenous
Inputs	Endogenous	Exogenous
Participant Selection	Endogenous	Exogenous
Goals	Specific	Conflicting Ambiguous

TABLE 2
Implicit Market-like Assumptions Embedded in Two Educational Reforms
that Originated from Research on the Private Sector

	Implicit Reform Assumptions Contrasted with Actual Conditions			
	Choice		SBM	
Selection:	Assumed	Actual	Assumed	Actual
Technical Innovation	High	Low		
Stagnation/Decline	Low	High	Low	High
Adaptation:				
Focus of Information Retrieval and Processing	Customer	Policymakers		Policymakers
Strategic Control Over:				
Financial Resources	Internal	External	Internal	External/Mix
Location	Internal	External		External
Inputs	Internal	External	Internal	Mix
Participant Selection	Internal	External	Internal	External
Goals	Specific	Ambiguous	Specific	Ambiguous

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Endnotes:

1. In management, for examples of efforts to apply principles of decentralized, or school-based management to education see Conley, 1991; Elmore, 1990; Hannaway & Carnoy, 1993; Mohrman & Wolstetter, Wolstetter & Odden, 1992; examples of efforts to apply principles of total quality management to education, see Byrnes, Cornesky & Byrnes, 1992; Herman, 1992; Kaufman & Zahn, 1993; Lezotte, 1992; Schmoker & Wilson, 1993. In governance, for examples of efforts to apply principles of market competition, see Chubb & Moe, 1990; Clune & Witte, 1990a and 1990b; Henig, 1994. In compensation, for examples of efforts to apply private-sector based compensation models to schools, see Mohrman, Mohrman & Odden, 1994; Odden & Conley, 1993.

2. The term "democratic environment" is used here to describe the environmental influences characteristic of organizations operating in the public sector. While these environments differ significantly among public sector organizations, I am focusing here on environmental characteristics common to many public sector organizations, and specifically to public schools.

3. While these features make organizational ecology unique among theories examining the importance of environmental context, they have also been described by some as weaknesses in the theoretical model (Hawley, 1988).

4. Institutionalization is the development of political, social,

and cultural support or legitimacy for the organizational population under study (see Powell & DiMaggio, 1991).

5. Over time, extreme levels of inefficiency in schools may be accompanied by a loss of legitimacy. This can eventually lead to reductions in resources if schools are unable to raise property taxes or to maintain support from the state and federal governments.

6. After studying a variety of local, community youth-serving organizations, McLaughlin (1993) has argued that educators need to be more cognizant of student tastes in order to develop curricula and instructional techniques which will spark the interest of at-risk students.

7. There are exceptions. For example, environmental concerns often focus on patronizing companies that use environmentally friendly inputs and production processes, despite slightly inferior quality or higher prices.